



FACT SHEET

WHAT HAS CAUSED GROWTH IN DISCRETIONARY SPENDING

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Defense, Response to September 11, and War in Iraq Behind Increase in Discretionary Spending

The Bush administration and many Republicans in Congress have expressed concern over the increase in discretionary spending over the last few years. Their rhetoric has implied that this spending is out-of-control. They are wrong.

As this fact sheet details, the increase in discretionary spending authority of the last few years results almost entirely from three factors that have enjoyed broad, bipartisan support:

- (1) defense,
- (2) the government's response to the attacks of September 11, including additional homeland security funding, and
- (3) the war in Iraq.

As Table 1 shows, 93.7 percent of the \$263.6 billion in discretionary spending above CBO's January 2001 baseline for fiscal years 2001-2003 was caused by legislation funding defense, the response to the attacks of September 11, and the war in Iraq.

**Table 1 – Changes in Discretionary Spending Authority By Legislation
January 2001 - April 2003**

(Discretionary BA; \$ billions)	2001	2002	2003	Total
CBO January 2001 Baseline	635.4	663.4	681.1	1,979.9
Summer 2001 Supplemental - Defense, PL 107-20	5.8	0.0	0.0	5.8
2001 \$20 Billion Supplemental, PL 107-38	20.0	0.0	0.0	20.0
2002 \$20 Billion Supplemental, PL 107-117	0.0	20.0	0.0	20.0
Summer 2002 Supplemental, PL 107-206	0.0	24.2	0.0	24.2
2003 Supplemental, PL 108-11	0.0	0.0	79.2	79.2
Defense, Regular Appropriations	1.1	22.0	61.9	85.0
Homeland Security, Regular Appropriations	<u>0.0</u>	<u>0.3</u>	<u>12.5</u>	<u>12.8</u>
Subtotal	26.9	66.5	153.6	247.0
Other increases	<u>1.5</u>	<u>4.8</u>	<u>10.3</u>	<u>16.6</u>
Total	28.4	71.3	163.9	263.6
CBO March 2003 Baseline, Adjusted for 2003 Supplemental	663.8	734.7	845.0	2,243.5
Subtotal as Percentage of Overall Change	94.8%	93.3%	93.7%	93.7%

Broken down by category of spending, Table 2 shows that funding for defense and homeland security accounted for 83 percent of the increase. Relief for New York City and U.S. airlines, the reconstruction of Iraq, and international funding related to September 11 and the war in Iraq, account for another 10.7 percent of the increase.

Table 2 – Changes in Discretionary Spending Authority By Category January 2001 - April 2003				
(Discretionary BA; \$ billions)	2001	2002	2003	Total
Total Change	28.4	71.3	163.9	263.6
Defense	20.7	39.1	124.7	184.4
Homeland Security	4.3	12.3	17.7	34.3
NYC Relief and Recovery	1.9	13.8	0.0	15.7
International (security, relief, reconstruction of Iraq)	0.0	1.3	8.1	9.5
Airline Relief	0.0	0.0	3.1	3.1
Subtotal	26.9	66.5	153.6	247.0
Other	1.5	4.8	10.3	16.6
Percentage Change	100.0%	100.0%	100.0%	100.0%
Defense	72.8%	54.8%	76.1%	70.0%
Homeland Security	15.3%	17.3%	10.8%	13.0%
NYC Relief and Recovery	6.8%	19.3%	0.0%	5.9%
International (security, relief, reconstruction of Iraq)	0.0%	1.9%	4.9%	3.6%
Airline Relief	0.0%	0.0%	1.9%	1.2%
Subtotal	94.8%	93.3%	93.7%	93.7%
Other	5.2%	6.7%	6.3%	6.3%

Not surprisingly, the legislation providing the additional funding in these areas enjoyed overwhelming bipartisan support. Table 3 shows the level of support for passing each of these measures.

Table 3 – Bipartisan Support for Recent Increases in Discretionary Spending	
Conference Report	Senate Action
Summer 2001 Supplemental, PL 107-20	Unanimous consent
2001 \$20 Billion Supplemental, PL 107-38	Unanimous consent
2002 \$20 Billion Supplemental and 2002 Defense Appropriations, PL 107-117	94 - 2
Summer 2002 Supplemental, PL 107-206	92 - 7
2003 Defense Appropriations, PL 107-248	93 - 1
2003 Supplemental, PL 108-11	Unanimous consent

Bipartisan Domestic Policies Responsible for Comparatively Small Increase in Spending Not Attributed to Defense, Response to September 11, and War in Iraq

Only 6 percent, or \$16.6 billion, of the \$263.6 billion in discretionary spending above CBO's January 2001 baseline for fiscal years 2001-2003 was caused by legislation not related to defense, the response to the attacks of September 11, and the war in Iraq. This remaining funding is the product of popular, bipartisan domestic policies approved by Congress. These policies include:

- (1) completing the bipartisan goal of doubling funding for the National Institutes of Health between 1999 and 2003 (a cumulative increase over the 2001 to 2003 period of \$7.8 billion compared to CBO's January 2001 baseline),
- (2) providing for the medical care of our nation's veterans (\$4.2 billion),
- (3) implementing the Help America Vote Act (\$1.5 billion), and
- (4) increasing funding for education, specifically for the No Child Left Behind Act, IDEA, and Pell Grants (a total of \$14.1 billion).

It is interesting to note that the increase in spending related to these four policies for 2001-2003 (compared to CBO's January 2001 baseline) is \$27.6 billion, exceeding the \$16.6 billion increase in discretionary spending above baseline by \$11 billion. This means that Congress has actually cut funding for most other domestic programs by a total of \$11 billion over the past two years – a key fact.

Discretionary Spending Remains Low by Historical Standards

Despite Bush administration and Republican rhetoric claiming that spending has been spiraling out-of-control, discretionary spending remains low by historical standards as a percent of gross domestic product (GDP). Table 4 shows the fall in discretionary spending (including the 2003 supplemental) as a percentage of GDP since 1963. Even with the substantial funding increases necessitated by the attacks of September 11 and the wars in Afghanistan and Iraq, discretionary spending continues to remain low by historical standards. In fact, as a percentage of the economy, estimated outlays for 2003 are less than two-thirds the level for 1963.

Table 4 – Discretionary Outlays as a Percentage of GDP					
(%)	1963	1973	1983	1993	2003
Total	12.6	10.0	10.3	8.2	7.9

Sources: Office of Management and Budget and Congressional Budget Office.